

1 DAUFUSKIE ISLAND UTILITY COMPANY, INC.

2 DOCKET NO. 2011-229-W/S

3 Testimony of Christy E. Fabiano

4 Before the South Carolina Public Service Commission

5 Testimony Prepared: April 18, 2012

6 Hearing Date: May 30, 2012

7

8 **Q. Please state your name and business address.**

9 A. Christy E. Fabiano, 6 Beacon Street, Suite 200, Boston, MA 02108.

10

11 **Q. What is your occupation?**

12 A. I am the Vice President – Administration at Guastella Associates, LLC (“GA”) a  
13 firm that provides utility consulting services primarily for municipal and investor-  
14 owned water and wastewater utilities.

15

16 **Q. Please state your educational background and professional experience.**

17 A. I received a Bachelor of Science in Business Administration from Boston  
18 University in 2003. I also completed a course in utility rate regulation sponsored  
19 by the National Association of Regulatory Utility Commissioners (“NARUC”),  
20 the Florida Public Service Commission and the University of Michigan.

21

22 **Q. How long have you practiced in the area of utility management and rate**  
23 **regulation?**

1 A. I have been involved in the utility industry for over five years.

2

3 **Q. Please describe the nature of your assignment in connection with this**  
4 **proceeding.**

5 A. Guastella Associates was retained as consultants to manage Daufuskie Island  
6 Utility Company, Inc. ("DIUC" or "Company"). I have been responsible for the  
7 daily bookkeeping, accounting, billing and customer service for the Company  
8 since it was acquired by CK Materials, Inc. ("CK Materials"). I worked closely  
9 with both John F. Guastella and Gary C. White on the compilation of the  
10 necessary data for the preparation of the rate study. I have also been involved in  
11 complying with regulatory requirements for this rate proceeding.

12

13 **Q. Please explain the initial transition of the management of the former Haig**  
14 **Point Utility Company, Inc. ("HPUC") from International Paper ("IP") to**  
15 **CK Materials.**

16 A. I was directly involved in the transition of books and records from IP in 2007. I  
17 attended a week long training by IP on the utility's billing system and worked  
18 closely with IP representatives on the data transfer.

19

20 **Q. Please describe any deficiencies found in the data that was transferred.**

21 A. We found several deficiencies in the books and records and database for HPUC.  
22 IP also did not keep accurate call reports or customer records. Since GA took  
23 over the management, detailed call log reports were developed to track all

1 customer phone calls and inquiries. Another deficiency was that IP did not have  
2 proper records of the property tax details for all of the parcels of land that are part  
3 of the utility system. I made inquiries of the Beaufort County Tax Treasurer to try  
4 to obtain this information.

5 The utility database is managed by a program called EasyBill. This  
6 system maintains the customer accounts and meter information. The area with the  
7 greatest number of deficiencies was found in the availability database. IP was  
8 sending out quarterly availability bills to previous owners and did not keep up  
9 with the number of properties that changed ownership. While this is something  
10 we have been working to remedy over the years, because of the declining  
11 economy and increased number of foreclosures, collections on the availability  
12 receivables continues require constant attention.

13 IP was also spending a considerable amount of money on its deposit  
14 processing. They used a lock box service and had been booking bank fees of  
15 approximately \$1,700 per month. After researching various deposit and check  
16 processing options, I decided that the best, most economical route was an in-  
17 house remote deposit machine, where we can manually process the deposits from  
18 our Boston office location. This saved the utility thousands of dollars in  
19 bank/deposit processing fees annually.

20 The convenience of taking credit cards was not something HPUC was  
21 providing its customers before GA took over the management. I found a low cost  
22 to the utility and easy method to give customers the option to pay their quarterly  
23 utility bills via credit or debit card over the phone and even set up procedures to

1 process many of these payments for customers automatically each quarter upon  
2 request.

3  
4 **Q. Were you involved with the transition of books and records when Melrose**  
5 **Utility Company (“MUC”) was acquired by DIUC in 2010?**

6 A. Yes. I worked closely with Laura Duggan, a representative of the Trustee in the  
7 Daufuskie Island Properties (“DIP”) bankruptcy proceeding, in acquiring the  
8 books, records and database information from MUC. In the MUC case, adequate  
9 books were not being maintained. All data available were the 2007 Water &  
10 Wastewater Annual Reports, a detail vendor file report, a check register from  
11 January 19, 2009 through February 12, 2010, the EasyBill database files for  
12 Melrose and Bloody Point customers, meter transaction codes and a sample  
13 invoice. The Trustee did not have any books and records available from before  
14 the bankruptcy was filed with the exception of the 2007 Annual Reports.

15

16 **Q. Were there any deficiencies found in the MUC databases?**

17 A. Yes. There were considerable deficiencies in the MUC databases as well. I found  
18 several instances where customers had the incorrect meter code in their account,  
19 therefore they were being billed at incorrect tariff rates.

20 It was also discovered that much of the information in the accounts was  
21 incomplete and/or incorrect. This included property service locations, location ID  
22 numbers, and customer account information, which has created the need for

1 significant time and effort to clean up the database, and continues to be an  
2 ongoing task for GA.

3 I also started a program each quarter to work on capturing lost revenue  
4 due to returned mail. Many bills would be returned quarterly due to incorrect  
5 mailing addresses and bills being sent to previous owners. Again, another time  
6 intensive task, but we have lowered the amount of returned pieces from  
7 approximately 60 to 20 pieces per quarter.

8  
9 **Q. What is one of the biggest challenges you feel the utility is faced with?**

10 A. Besides the necessary billing database/system upgrades that are needed, not  
11 having adequate cash flow has always been in issue for the utility. The utility  
12 struggles to keep good relationships with vendors as accounts are often falling  
13 behind upwards to 120 days past due. I spend several hours a week, just  
14 following up with various vendors trying to set up payment plans to avoid late  
15 fees and account closures, and also in the attempt to maintain good standing with  
16 the many vendors the utility uses despite its inability to stay current.

17  
18 **Q. Does this conclude your testimony?**

19 A. Yes.